

**NATIONAL DAIRY MARKET AT A GLANCE**

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (9/15)**  
**BUTTER:** Grade AA closed at \$1.3100. The weekly average for Grade AA is \$1.3080 (-.0139).

**CHEESE:** Barrels closed at \$1.2725 and blocks at \$1.2725. The weekly average for barrels is \$1.2605 (-.0395) and blocks, \$1.2660 (-.0696).

**BUTTER:** Butter markets are mixed as the cash price at the CME declined to \$1.2900 early in the week but has increased to \$1.3100 by week's end. Cream supplies are reported to be more available to churns across the country. Class II operations continue to absorb available cream offerings, although this need is greatly reduced following the Labor Day holiday. Most butter producers are pleased that fresh production is more active, thus they are not reaching as far into inventoried stock to fill orders. CME weekly warehouse stocks declined by 4.9 million pounds last week to stand at 112.8 million pounds compared to 75.0 million pounds for the same week last year. Stocks have declined 44.8 million pounds from the peak registered eight weeks ago. This is a 5.6 million pound average weekly decline since peak levels. Some producers and handlers state that orders for the upcoming yearend holiday period are developing well. In most instances, a significant portion of yearend butter needs are shipped in October, thus producers and handlers are closely monitoring current production and inventory levels toward this end. Current butter demand is seasonally fair and typical for this time of the season.

**CHEESE:** The cheese market is unsettled. Cash cheese prices declined for 4 sessions on the Chicago Mercantile Exchange before starting to rebound on September 14. Some buyers backed off on purchases and were working down inventory as prices declined. Many buyers built additional inventory during the summer as a cushion for any price increase and to cover some of the usually larger fall needs. Current natural American cheese supplies are tight to adequate in the Midwest and East though readily available from the West. Mozzarella and provolone orders often exceed current output. Process interest is steady to slower seasonally though some food service promotions are aiding sales. Cheese production is fairly steady at recent levels.

**FLUID MILK:** National milk production has been mixed, with no definite trend established for the week. Milk supplies continue to be somewhat tight in both the East and Midwest. School accounts are well established and ordering steady volumes of fluid milk. Florida milk imports from both the East and Midwest regions were lower compared to last week. Weather has moderated in both the Eastern and Western regions, which has helped production rebound somewhat in those areas. In the Pacific Northwest, continuing dry conditions have affected pasture based herds, leading to supplemental feeding. Utah and Idaho milk supplies are adequate for manufacturing plants. Milk fat tests are climbing as weather conditions improve in the East, Central, and West regions, boosting manufactured product yields. Cream availability is higher. Churning activity has grown in preparation for fall butter needs. Cream cheese and sour cream production is also higher. Cream multiples have declined compared to the previous

week, resulting in an unsettled market. Some buyers and handlers in the East report less need for importing cream from the West, as sources within the region have been able to meet demand.

**DRY PRODUCTS:** Dry product market trends continue, with spot offerings limited for most products, and many sales occurring near the high side of the price ranges. NDM dry milk prices are steady to higher. Spot trades are limited and resale activity is trading at prices above reported spot prices. Some buyers are reluctant to pay higher prices. Cheese producers are looking for alternatives in milk and condensed skim to increase yields and production. Production of NDM is increasing, but producers are attempting to cover current orders and service accounts they have been trying to fill since production dipped this summer. Buttermilk markets remain firm, with production light to moderate. As cream supplies have increased, some increased churning activities have resulted in more dry buttermilk being produced in the Central region. Western production levels are also building, while Northeast and Southeast producers anticipate additional supply availability around the Thanksgiving holiday. Whey is firm with light availability of spot loads from Central suppliers. Whey from the Northeast, Southeast, and West is limited for spot sales, with some suppliers being a number of weeks behind on delivery schedules. Lactose prices are unchanged, although pricing levels being negotiated for fourth quarter contracts are higher. Milk shortages and production problems may result in fourth quarter lower contract volumes. Whey protein concentrate prices are higher, with improved interest from domestic and export accounts.

**CCC:** During the week of September 11 - 15, there was no CCC activity under the dairy price support program.

**SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES (WASDE):** The milk production forecast for 2006 is raised from last month primarily due to a smaller-than-expected impact from hot weather on milk per cow. Milk production for 2007 is raised slightly. Despite higher forecast production, relatively strong demand for cheese is helping support prices. However, butter supplies are relatively large and prices are weaker than previously expected. Nonfat dry milk price forecasts are little changed from last month although CCC net removals for 2006 and 2007 are forecast lower. In the face of higher forecast cheese prices, the 2006 Class III price is raised, but lower-than-expected butter prices result in a lower Class IV price forecast. The all milk price forecast for 2006 is increased to \$12.65-\$12.85 per cwt. Price forecasts for 2007 are unchanged from last month.

**JUNE MAILBOX MILK PRICES (DAIRY PROGRAMS & CDFA):** In June 2006, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$11.74 per cwt., \$.06 less than the figure for the previous month. The component tests of producer milk in June 2006 were: butterfat, 3.58%; protein, 2.97%; and other solids, 5.71%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas except six, and ranged from \$14.85 in Florida to \$9.90 in New Mexico. In June 2005, the Federal milk order all-area average mailbox price was \$14.13, \$2.39 higher.

\*\*\*\*SPECIALS THIS ISSUE\*\*\*\*

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**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

PRODUCT	MONDAY SEPTEMBER 11	TUESDAY SEPTEMBER 12	WEDNESDAY SEPTEMBER 13	THURSDAY SEPTEMBER 14	FRIDAY SEPTEMBER 15	WEEKLY CHANGE*	WEEKLY AVERAGE#
<b>CHEESE</b>							
BARRELS	\$1.2650 (N.C.)	\$1.2500 (-.0150)	\$1.2425 (-.0075)	\$1.2725 (+.0300)	\$1.2725 (N.C.)	(+.0075)	\$1.2605 (-.0395)
40# BLOCKS	\$1.2900 (-.0100)	\$1.2675 (-.0225)	\$1.2400 (-.0275)	\$1.2600 (+.0200)	\$1.2725 (+.0125)	(-.0275)	\$1.2660 (-.0696)
<b>BUTTER</b>							
GRADE AA	\$1.2900 (-.0100)	\$1.3100 (+.0200)	\$1.3150 (+.0050)	\$1.3150 (N.C.)	\$1.3100 (-.0050)	(+.0100)	\$1.3080 (-.0139)

CHEESE: carlot = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM **NOTE: CME NDM on Page 2.**

## CHICAGO MERCANTILE EXCHANGE

MONDAY, SEPTEMBER 11, 2006

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS BARRELS @ \$1.2450; OFFERS UNCOVERED: 4 CARS 40# BLOCKS: 2 @ \$1.2900, 2 @ \$1.3000  
 BUTTER — SALES: 12 CARS GRADE AA: 1 @ \$1.2875, 3 @ \$1.2800, 2 @ \$1.2825, 1 @ \$1.2800, 3 @ \$1.2825, 1 @ \$1.2875, 1 @ \$1.2900; BIDS UNFILLED: 8 CARS GRADE AA: 1 @ \$1.2825, 5 @ \$1.2800, 1 @ \$1.2750, 1 @ \$1.2600; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.2975, 2 @ \$1.3000

TUESDAY, SEPTEMBER 12, 2006

CHEESE — SALES: 1 CAR BARRELS @ \$1.2500; 1 CAR 40# BLOCKS @ \$1.2675; BIDS UNFILLED: 1 CAR BARRELS @ \$1.2400; OFFERS UNCOVERED: 5 CARS 40# BLOCKS: 1 @ \$1.2800, 4 @ \$1.2900  
 BUTTER — SALES: 6 CARS GRADE AA: 1 @ \$1.3000, 1 @ \$1.3100, 1 @ \$1.3075, 1 @ \$1.3000, 1 @ \$1.3075, 1 @ \$1.3100; BIDS UNFILLED: 15 CARS GRADE AA: 1 @ \$1.3100, 1 @ \$1.3025, 1 @ \$1.3000, 1 @ \$1.2975, 1 @ \$1.2925, 2 @ \$1.2900, 2 @ \$1.2850, 2 @ \$1.2825, 2 @ \$1.2800, 2 @ \$1.2700; OFFERS UNCOVERED: 2 CARS GRADE AA: 1 @ \$1.3200, 1 @ \$1.3500

WEDNESDAY, SEPTEMBER 13, 2006

CHEESE — SALES: 1 CAR BARRELS @ \$1.2400; 4 CARS 40# BLOCKS: 1 @ \$1.2500, 1 @ \$1.2475, 1 @ \$1.2450, 1 @ \$1.2425; BIDS UNFILLED: 3 CARS BARRELS: 1 @ \$1.2425, 1 @ \$1.2400, 1 @ \$1.2300; OFFERS UNCOVERED: 6 CARS 40# BLOCKS: 1 @ \$1.2400, 1 @ \$1.2450, 2 @ \$1.2500, 2 @ \$1.2675  
 BUTTER — SALES: 3 CARS GRADE AA: 1 @ \$1.3150, 3 @ \$1.3200, 1 @ \$1.3175, 1 @ \$1.3225, 1 @ \$1.3200, 1 @ \$1.3175, 1 @ \$1.3150; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.3050; OFFERS UNCOVERED: 7 CARS GRADE AA @ \$1.3300

THURSDAY, SEPTEMBER 14, 2006

CHEESE — SALES: 5 CARS 40# BLOCKS: 1 @ \$1.2500, 1 @ \$1.2600, 1 @ \$1.2700, 1 @ \$1.2800, 1 @ \$1.2600; BIDS UNFILLED: 3 CARS BARRELS: 1 @ \$1.2725, 1 @ \$1.2700, 1 @ \$1.2425; OFFERS UNCOVERED: 3 CARS 40# BLOCKS: 1 @ \$1.2600, 1 @ \$1.2800, 1 @ \$1.2900  
 BUTTER — SALES: 3 CARS GRADE AA: 1 @ \$1.3150, 1 @ \$1.3175, 1 @ \$1.3150; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.3000; OFFERS UNCOVERED: 9 CARS GRADE AA: 1 @ \$1.3175, 3 @ \$1.3200, 5 @ \$1.3300

FRIDAY, SEPTEMBER 15, 2006

CHEESE — SALES: 1 CAR BARRELS @ \$1.2800; 2 CARS 40# BLOCKS: 1 @ \$1.2700, 1 @ \$1.2800; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.2725; 1 CAR 40# BLOCKS @ \$1.2725  
 BUTTER — SALES: 3 CARS GRADE AA: 1 @ \$1.3150, 1 @ \$1.3125, 1 @ \$1.3100; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.3000; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.3400

**CME CASH NONFAT DRY MILK:** Extra Grade closed the week at \$0.9000 and Grade A at \$0.9000. (The last price change for Extra Grade and Grade A was on August 9, 2006.) The weekly average for Extra Grade is \$0.9000 (N.C.) and Grade A is \$0.9000 (N.C.).

## BUTTER MARKETS

## NORTHEAST

The butter market tone is mixed. The cash price at the CME has declined daily during the last seven trading sessions. Most butter producers welcome the decline which is often the basis for cream pricing. Cream supplies appear to be more available to local butter operations than in recent weeks. Churning has increased at some locations, although still not at desired levels for this time of the season. During the past few weeks, butter producers and handlers have had to reach into inventoried stock to a greater extent than most had anticipated. Although inventories have declined at a faster rate than anticipated for this time of the season, most producers and handlers feel that they will have sufficient volumes, coupled with fall production, to meet yearend needs. Current butter orders are typical for this time of the year. Some buyers continue to work off stocks acquired prior to the Labor Day holiday, while others are procuring stock for near term needs. Food service orders are less active as many restaurants, especially in resort and vacation areas, have scaled back their orders and in instances, closed for the season. Sales of bulk butter f.o.b East are reported in a range from flat market to 3.0 cents over the CME price/average.

## CENTRAL

Central butter markets are unsettled. Cream supplies are reported to be slightly more available, although the CME cash butter price is again on the firm side. At midweek, the cash price of \$1.3150 is 1 1/2 cents lower than last Wednesday, but 2 1/2 cents higher than Monday. Cream supplies are more available as Class II demand is lighter, milk production and butterfat levels are increasing slowly, and cream volumes from bottling standardizing are heavier. With fresh production more active, producers and handlers are not reaching as far into inventoried stocks to fill orders. Orders for upcoming holiday needs continue to be placed. A significant portion of yearend butter needs are shipped in October, thus producers and handlers are closely monitoring current production and inventory levels toward this end. When possible, current production is often

directed toward unsalted butter with tempering and microfixing continuing from salted frozen stock. Spot bulk butter prices range from flat to 2 cents per pound over various pricing basis.

## WEST

The CME cash butter price had fallen for seven consecutive trading sessions to move from \$1.38 down to \$1.29 on September 11. On the next trading session, prices increased two cents to stand at \$1.31. Prices finished at midweek up another 1/2 cent at \$1.3150. Demand for butter is fair seasonally. Food service orders are being called decent, but not great. Orders have shifted from the vacation area trade to typical fall butter users. Concern continues to be expressed about the restaurant trade, especially for some of the more upscale trade. Some are worried about the impact gas prices will have and what impact there might be if the economy slows. Some retail feature activity is noted, but it is generally limited in scope. More cream is becoming available to butter churns. Less cream is needed by ice cream manufacturers and more cream is coming from fluid milk operations as they standardize farm milk down for consumer preferences. Contacts note that tests continue to rebound from the summertime heat induced lows. The extra cream that was available due to the holiday weekend has gone through the system and market analysts are waiting to see how the regular supply situation now looks. Instances of real problems in finding trucks to haul the cream longer distances are becoming more numerous. CME weekly warehouse stocks declined by 4.9 million pounds last week to stand at 112.8 million pounds compared to 75.0 million pounds for the same week last year. Stocks have declined 44.8 million pounds from the peak registered eight weeks ago. That turns out to be a 5.6 million pound decline each week on average from the peak. Year to date exports by the CWT program total 13 million pounds of butter and 4.2 million pounds of anhydrous milkfat. Prices for bulk butter range from flat market to 4 cents under based on the CME with various time frames and averages.

## NASS DAIRY PRODUCT PRICES

## U.S. AVERAGES AND TOTAL POUNDS

	CHEESE				
	40# BLOCKS	BARRELS	NDM	BUTTER	DRY WHEY
		38% MOISTURE			
WEEK ENDING					
SEPTEMBER 9	1.2678	1.3026	0.8507	1.3061	0.3144
	9,009,368	11,529,483	14,453,897	2,567,528	11,059,591

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

## CHEESE MARKETS

## NORTHEAST

Wholesale prices are unchanged to higher on natural varieties and generally lower on process. Current interest is slower. Buyers are less aggressive because of both price increases in recent weeks and the declines at the Chicago Mercantile Exchange on September 8 and 11. Current cheese production is lighter as the reopening of schools in the region increases Class I use at the expense of manufacturing milk supplies.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.4175-1.9375
Cheddar Single Daisies	:	1.3750-1.8600
Cheddar 40# Block	:	1.4725-1.7475
Process 5# Loaf	:	1.5100-1.7500
Process 5# Sliced	:	1.5250-1.8350
Muenster	:	1.4925-1.6900
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

## MIDWEST

The cheese market is weak after Chicago Mercantile Exchange cash cheese prices started declining on September 8. Cash prices have declined a cumulative 8 cents through September 12. The decline has caused buyers to delay some orders. While cheddar and many natural American varieties are readily available in the West, product originating in the Midwest remains tight. Mozzarella, particularly specialty lowfat, and provolone remain tight in the region as producers continue to struggle to fill orders. Shred demand is improved and natural chunk orders uneven. Process interest is steady to slower, frequently lighter from retail as customers shift interest to traditionally more fall and winter products. Some food service promotions are aiding process sales. Cheese production is steady to just slightly higher where the increase in Class I needs have not greatly reduced the producers' milk supply. While some upper Midwest operations have seen fluid receipts fully rebound from the heat stressed levels of a month ago, others have seen only a fraction of that. Overall, cheese yields have increased seasonally.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.5800-1.7800
Brick And/Or Muenster 5#	:	1.8000-1.9125
Cheddar 40# Block	:	1.6700-2.2650
Monterey Jack 10#	:	1.8000-2.2650
Blue 5#	:	2.2175-2.4800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.5425-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.1550-2.8300

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
09/11/06	41,299	:	131,446
09/01/06	45,529	:	132,188
CHANGE	-4,230	:	-742
% CHANGE	-9	:	-1

## WEST

Block cheese prices at the cash CME market peaked during this current cycle last week at \$1.3475. Since September 7, prices have declined 10 3/4 cents to stand at \$1.24 at midweek this week. Buyers are saying that they can find enough cheese, including barrels, so that aggressive purchasing strategies are no longer necessary. Also, some buyers had been scaling up purchases as prices increased and are now using some of those inventories above what they would normally hold at this time of year. Supplies of cheese have recovered and are being called adequate for most needs. Marketers are studying what cheese they need for various fall programs and are generally happy with the current price levels that they are finding. Swiss sales are picking up as the fall purchase season approaches. Mozzarella interest is improving as most schools are now in session and pizza sales increase seasonally. Year to date exports of cheese by the CWT program total 10.3 million pounds.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.4525-1.7100
Cheddar 40# Block	:	1.4525-1.8050
Cheddar 10# Cuts	:	1.6325-1.8525
Monterey Jack 10#	:	1.6425-1.8025
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.7000

## FOREIGN

Prices are unchanged on imported and higher on most domestic varieties. Interest is increasing seasonally on hard grating varieties as cooler temperatures make hot meals prepared at home more important. Current inventories are at least adequate for needs. Reports indicate that as new arrivals replenish stocks, higher transportation cost is likely to raise prices.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	TFEWR	-0-
Blue	2.6400-4.4800	1.7375-3.2250*
Gorgonzola	3.6900-5.9900	2.2400-2.4900*
Parmesan (Italy)	TFEWR	3.1450-3.2500*
Romano (Italy)	2.1000-3.2900	-0-
Provolone (Italy)	3.4400-6.0900	1.7300-1.9675*
Romano (Cows Milk)	-0-	2.9275-5.0700*
Sardo Romano (Argentina)	2.8500-3.2900	-0-
Reggianito (Argentina)	2.6900-3.2900	-0-
Jarlsberg-(Brand)	3.1200-4.1500	-0-
Swiss Cuts Switzerland	-0-	2.4500-2.6500
Swiss Cuts Finnish	2.5900-2.8500	-0-
Swiss Cuts Austrian	TFEWR	-0-
Edam	:	:
2 Pound	TFEWR	-0-
4 Pound	TFEWR	-0-
Gouda, Large	TFEWR	-0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	27.8000-31.7000	-0-

\* = Price change.



## FLUID MILK AND CREAM

## E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	221	0	265	0	209	0
SOUTHEAST STATES	124	0	124	0	94	0

Milk production throughout the Eastern part of the country continues to lag demand. In most all areas, milk handlers indicate that milk supplies are short. Some handlers state that milk production has rebounded somewhat following the heat of six weeks ago, but not to levels that would be desired. School bottling pipelines are basically all full, but milk handlers state that keeping these pipelines full seems to be more of a challenge this year. In Florida, milk production is reported to be holding steady, although imports are still needed to meet all needs. During the week, imports were not as heavy as recent weeks as more milk was carried over from last week. For the week, 221 loads of milk were imported compared to 265 last week and 209 last year. Florida milk handlers report that retail feature activity that occurred early in the month has ended and only this week are lower milk needs being realized. Trucking of milk throughout the Eastern half of the country continues to be a problem for many. Traders and handlers state that lighter milk volumes are impacting the entire milk market from fluid through manufactured products. Class I needs are being filled with lighter than desired volumes left for other classes. Powder production is very limited and prices for available stock are receiving premiums when available. Condensed skim demand is strong and volumes are short of needs. Cream markets are unsettled as pricing multiples edge lower. Cream traders and handlers indicate that cream volumes, although not heavy, are more available than they have been in recent weeks. Eastern cream buyers and handlers that had been reaching to the West coast for cream needs report that they do not need to reach this far to locate desired volumes. In instances, some Western cream is available in the 135 delivered range this week. Churning activity remains seasonally light, but some churning is occurring as cream volumes become available.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.7846-1.9168
DELIVERED EQUIVALENT: ATLANTA	-	1.8507-1.9564 M 1.9168-1.9300
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6920-1.9564

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9375-.9775
NORTHEAST - CLASS III - SPOT PRICES	- .9100-.9500

## M I D W E S T

Class I demand remains strong in the region though school account needs are starting to settle into a more consistent production pattern, tightest at midweek and occasionally looser on weekends. Milk supplies remain tight to short within the region. Many plant operators that participate in upper Midwest pools are shipping seemingly larger volumes to bottlers than in recent years, cutting cheese production and increasing complaints. With increased cheese production in the Southwest, more milk seems to be flowing from the upper Midwest to the Southeast to offset some of the reduction in shipments. Overall fluid shipments to the southeast are lower this week. Finding trucks/truckers to move product, particularly out of area remains a problem. Limited supplies of manufacturing milk were available with prices fully steady, though not enough spot prices were received to report a price range. The number of fluid orders for next week are down, as producers react to recent declines in cheese prices and fewer cheese orders. Cream offerings continue to become more available as standardized cream supplies are heavier as fat tests also rebound slowly, seasonally. Ice cream schedules remain at lighter seasonally schedules as producers try to balance production with orders and continue to work down inventory. Churning is more active as printers work to fill the usually strong fall print demand with more fresh butter. Weather conditions have been close to ideal for milk production in the upper part of the region. Some operations are seeing volumes increase while some are still drifting lower. Fat and protein tests are slowly rebounding, boosting manufactured product yields.

Recent rains have stymied fall harvest and tillage operations.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	SEP 7 - 13	PREVIOUS YEAR
SLAUGHTER COWS	\$ 47.00- 53.00	\$ 48.00- 54.00
REPLACEMENT HEIFER CALVES	\$400.00-550.00	\$400.00-750.00

\*\*SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)\*\*

	SEP 7 - 13	PREVIOUS YEAR
SLAUGHTER COWS**	\$ 45.00- 54.50	\$ 48.00- 57.00

\*\*THIS REPORT WILL BE DISCONTINUED ON OCTOBER 1, 2006 DUE TO THE CLOSING OF THE SO. ST. PAUL MARKET NEWS OFFICE.\*\*

## W E S T

The October 2006 Class 1 prices in CALIFORNIA range from \$13.57 in the north to \$13.85 in the south. The statewide average Class 1 price based on production is \$13.60. The average is 95 cents higher than September 2006 but \$2.01 lower than October 2005. CALIFORNIA milk production is reported as both higher and lower for a variety of reasons. Warmer conditions are noted in the south and in the Central Valley, but are not seen as being stressful. Reports of more cows being dried up, increased culling, and fewer fresh cows entering the milk string are being cited. Hay quality has not been as good as desired and this could be a limiting factor. Other feed grains and supplements are available. Processing plants in the state have returned to projected levels. The problem that remains is that processors need to catch up on past orders while staging current and future orders. Bottlers report fair to good demand from school and retail accounts. Handlers report that orders from processing plants are along expected levels. Recent declines in cheese prices have not changed milk schedules from cheese producers. NEW MEXICO milk output is steady to slightly higher this week. Rains and wet conditions remain a factor across the milk producing areas, but the thought is that cows are getting used to the conditions. Milk is moving to cheese plants and bottlers, but volumes going to balancing plants remain limited. Additional milk loads are moving to supplement needs in the Southeast US. CREAM markets moved lower last week and widely reflected the decline in butter prices and the increased availability of cream in the region following the holiday weekend. Demand for cream has improved this week with loads clearing into higher class items and being sought by churns. There remain problems with shipping cream to other regions from costs and logistics. Demand shifts have been noted with ice cream slowing and cream cheese and sour cream interest starting to build. The calendar continues to move and the reality is that the holiday demand for cream based products will soon be in full swing. The butter price at the CME moved lower, then rebounded, and closed \$1.3150 on Wednesday, September 13, down 1.5 cents from a week earlier. Cream multiples are lower on the top end of the range and trade from 115 to 125, FOB, and vary depending on class usage and basing points. Conditions are dry enough in the PACIFIC NORTHWEST that those herds that are pasture based for most of their summer feed needs are having to do supplemental feeding to maintain production. The corn silage harvest is beginning to pick up speed. Some are noting that the corn is more mature than they anticipated and that kernel processors will really be needed to get the most feed value out of the crop this year. Quality is anticipated to be very good. The hay situation in the region seems to be getting worse. Those hoping to fill out the remainder of their needs with the last cuttings from regular hay producers are beginning to wonder if the strategy will work out. The amount of competition for this limited amount of hay means that some will come up short. Others are going back to look at early, rained on hay and deciding that it may be the best alternative. Prices at the monthly heifer sale in the region were \$200 higher with good levels of interest. The price range was from \$1700-2000 with some as high as \$2075. Temperatures remain quite warm over much of UTAH and IDAHO. Temperatures in the 90's are still common early this week. Indications are that a cooling trend will be moving in at the end of the week. The milking herd is not being impacted too much because the nights are cool. The real impact is on calves and some heifers. The daily 40 degree swing in temperature, even though it is quite dry, is enough to stress young stock. Cases of pneumonia are becoming a real problem with death loss increasing. This stress is taking quite a bit more management time to try and combat it. Manufacturing plants are generally operating with adequate milk supplies. Tests are at expected levels. Heifer prices at the major sale in the region are firm. The top end is approaching \$2100 with the average pegged at \$1790.

**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

**CENTRAL:** Prices are unchanged and nominal. The market tone remains mixed. Most trade is occurring on a contractual basis. Most contracts supplied by Central producers are being adequately satisfied. Central buyers with contracts from Western suppliers are noting an increase in their contractual shortages for the current week. Very light spot trade is being reported. Interest from cheese plants is reduced as plants attempt to secure supplies of milk protein concentrate or condensed skim instead of NDM. Resellers with aged supplies are offering at about 1.0300 and buyers are bidding lower. Resellers with current supplies are offering at the high side of the range. Production is unchanged to higher as more milk filters into dryers. Inquiries are heavy with some brokers calling up end-users to see if they could buy their NDM stocks for resale. High heat supplies are tight for the good interest.

**EAST:** Prices are nominal on a firm market. Atypical dryers are commencing production of NDM and selling on the open market at the high side of the range. Some producers report that the milk supply remains insufficient, resulting in reduced production. Others indicate that production continues where streams of condensed skim are directed into high heat rather than low heat pipelines. Some brokers are reporting that their contracts are being increasingly shorted, encouraging spot trade between resellers at prices near the high side of the range.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8700 - 1.1500 MOSTLY: .9125 - 1.0850  
 HIGHHEAT: .9050 - 1.2500

**NONFAT DRY MILK - WEST**

Nonfat dry milk prices are higher on the top end of the range of the low/medium heat series. The mostly range is unchanged. The market is lightly tested for spot trades. The resale market is lightly traded with holders of powder asking for premiums above the top of the reported price range. Cheese producers are finding powder harder to secure and at prices they don't want to pay. With that said, there have been resale trades at high prices to cheese producers in other regions. Some cheese producers are shunning NDM and using condensed skim and milk to extend runs. Production levels are steady and producers would like more milk to dry to help catch up on domestic and export orders. High heat prices are mainly steady. The market is lightly tested. Some producers have higher reported sales prices for low heat than high heat NDM. Sales levels are light. Seasonal interest is beginning to clear more high heat. Stocks are light. From January to July 2006, the FAS reports U.S. exports of NDM/SMP total 175,514 MT (386.9 million pounds) compared to 184,060 MT (405.7 million pounds) during the same period in 2005, a decline of 4.6%. During July 2006, exports totaled 30,474 MT (67.2 million pounds). Top countries for exports during January through July 2006 were: Mexico, 34,786 MT; Indonesia, 20,068 MT; Philippines, 18,902 MT; Malaysia, 13,149 MT; and Algeria, 13,042 MT.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8400 - 1.0000 MOSTLY: .8575 - .9500  
 HIGHHEAT: .8675 - .9500

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 8	\$.8374	10,698,399	0
September 1	\$.8353	11,359,713	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices are mixed. The market tone remains mostly firm. Production is light and seasonal. As more cream filters into churns and less ice cream is produced, increasing supplies of condensed buttermilk are available. As a result, increased production of dry buttermilk is noted, encouraging some increased spot movement. Buyers seeking loads from a particular producer are willing to pay premiums whereas others are bidding for lower prices. Most movement remains contractual.

F.O.B. CENTRAL: .9900 - 1.1000

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are unchanged to higher and nominal on a firm market. Supplies are tight. Producers are adequately handling contractual interest with inventoried supplies. Production is very light. Producers are not anticipating additional supplies until sometime around the Thanksgiving holiday.

F.O.B. NORTHEAST: .9350 - .9500  
 DELVD SOUTHEAST: .9550 - .9700

**DRY BUTTERMILK - WEST**

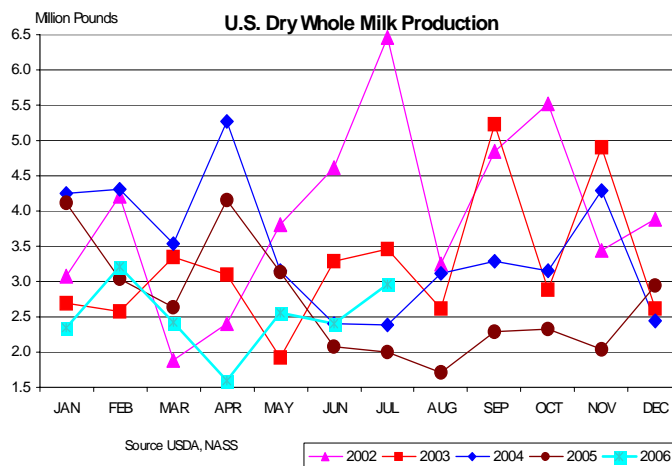
The Western dry buttermilk market remains firm with prices slightly higher from recent weeks. Production levels are light to moderate and beginning to rebuild as butter production builds. Producer stocks and offerings remain on the light side as they attempt to fill current spot and contract orders. Demand is light to fair and buyers are not aggressively bidding in the market. Movement in the resale trade is limited.

F.O.B. WEST: .8700 - .9075 MOSTLY: .8700 - .8900

**DRY WHOLE MILK - NATIONAL**

Prices for dry whole milk were mixed as adjustments were made by manufacturers. Declining butter prices are a big factor in whole milk prices moving lower. However, the solids portion, if gauged by NDM, is holding steady. Drying remains light as producers try to cover shortages of all powders ultimately created by the late summer decline in milk production. While milk output has recovered, processors are trying to catch up on past orders while staging for future orders and projected needs. Current stocks are light to moderate.

F.O.B. PRODUCING PLANT: 1.1800 - 1.3000



**WHEY, CASEIN & EVAPORATED MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY - CENTRAL**

Prices are higher on a firm market. Spot sales direct from the manufacturer remain light. Often, producers report that they are sold out and unable to satisfy spot load interest. However, for large end-users, domestic and export, spot loads are made available and added onto contractual shipments. Production is generally increasing as milk supplies and milk components begin to rebound. Supplies of whey are most readily available from resellers. Some Central buyers are seeking additional loads from Western suppliers at competitive prices. Feed users report that whey is difficult to find, even in the off grade market. Feed whey prices are nominal and reported higher in line with the Extra Grade market. Condensed whey is available to WPC/lactose facilities and some feed users for the fair interest.

F.O.B. CENTRAL: .3200 - .3700 MOSTLY: .3375 - .3675  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3100 - .3200

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are higher and nominal on a firm market. Spot trade direct from the manufacturer is nearly non-existent. Increased export movement is noted at some producer plants at prices near the high side of the range. Production is generally steady. The resale trade is active and generally trading within the reported ranges.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3300 - .3600  
DELVD SOUTHEAST: .3500 - .3800

**DRY WHEY - WEST**

Prices generally increased more rapidly for Western whey this week than has been the case in recent weeks. More buyers are becoming concerned about getting the whey that they need in a timely fashion and they are making some additional purchases to try and have additional coverage. Export sales are strong with some suppliers noting that they are a number of weeks behind on delivery schedules. Whey production is at normal seasonal levels at most processing plants in the region. Sales are noted into October at prices substantially above the present range prices. According to FAS, exports of whey for the first seven months of the year total 287.8 million pounds, up 10.5% from the same period in 2005. Exports account for 44% of the total dry whey production for the period. The top five export destinations and their volumes are as follows: China 68.0 million pounds, Canada 31.9 million pounds, Korea 30.9 million pounds, Japan 28.9 million pounds, and Thailand 24.0 million pounds. These five countries account for 183.7 million pounds or 64% of the total exports.

NONHYGROSCOPIC: .2750 - .3600 MOSTLY: .3200 - .3300

**EVAPORATED MILK - NATIONAL**

Prices are unchanged. Milk supplies are limited yet production is trending fairly steady. Some improved interest from food service users is noted.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$21.20 - 36.00

Excluding promotional and other sales allowances. Included new price announcements.

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are higher on a firm market. Interest from domestic and export markets is improving. Feed users that are not adequately contracted for the fourth quarter are garnering a few additional loads, especially since the alternative combination of WPC 80% and whey remains price unattractive. Imported milk protein concentrate and off grade isolate are reportedly available as a substitute to WPC 34% into some feed facilities. During January-July 2006, WPC 34% and 80% exports respectively increased 69.1% and 25.2% compared to the same period in 2005. Export quantities and percentage changes for the dominant 34% WPC markets include: Mexico 35,741,386 lbs (+123.4% or 34.8% more than the total quantity shipped in 2005), Canada 7,871,806 lbs (+46.3%), China 7,190,109 lbs (+38.4%), Japan 6,274,347 lbs (+102.2% or nearly the same quantity shipped in 2005), and Republic of Korea 3,937,005 lbs (+33.8%). Export quantities and percentage changes for the dominant 80% WPC markets include: Canada 3,481,879 lbs (+1.7%), Mexico 2,272,324 lbs (-15.0%), China 1,777,526 (+58.8% or 28.4% more than the total quantity shipped in 2005), Thailand 996,869 lbs (+2161.5% or nearly quadruple the total quantity shipped during 2005), and Japan 884,906 (-5.8%). Note that increased shipments of WPC 80% into European countries as reported in the trade are not captured in the current January-July 2006 FAS report.

F.O.B. EXTRA GRADE 34% PROTEIN: .6350 - .6750 MOSTLY: .6450 - .6650

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged on a firm market. Supplies are tight and short of buyer interest. Spot sales are few as sellers focus on fourth quarter contracts. Some sellers have made fourth quarter offers at prices near the high side of the mostly range. Others plan on waiting until the last week of the month or thereafter to finalize deals. Due to milk supply shortages earlier this year and equipment problems at some locations, contracts for fourth quarter are expected to be reduced. During January-July 2006, lactose exports increased 38.8% compared to the same period in 2005. Export quantities and percentage changes for the dominant markets include: Mexico 42,198,666 lbs (+212.8% or nearly twice the total quantity shipped during 2005), Japan 27,875,751 lbs (-13.5%), Vietnam 11,225,192 lbs (+48.9%), China 8,216,071 lbs (-54.0%), Thailand 7,955,118 lbs (+72.0%), Brazil 6,845,844 lbs (+75.8% or 8.7% more than the total quantity shipped in 2005). During January - July 2006, exports exceeding 5,500,000 lbs are reported into Malaysia and the Philippines. Exports exceeding 2,200,000 lbs are reported into Australia, Canada and Indonesia whereas exports exceeding 1,000,000 lbs are noted into India, Korea, New Zealand and Taiwan.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2775 - .4500 MOSTLY: .3200 - .4000

**CASEIN - NATIONAL**

Casein markets are generally steady at unchanged prices. Importers and handlers indicate that stocks of both acid and rennet are available for domestic buyer needs. European sourced stocks are reported to be lighter, although sufficient to meet current and future needs. The Oceania stock situation is in the transition period where 2005-06 stocks continue to supply the marketplace, while the 2006-07 production season is soon to resume. Oceania producers indicate that it is still too early in the Oceania milk production season to get a good feel about casein production from the region. Some feel that economics of casein production will be closely reviewed and that other manufactured dairy products might get the tilt during the upcoming production season.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.9500 - 3.0000  
ACID: 3.0000 - 3.0500

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF SEPTEMBER 11 - 15, 2006			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/05	SAME PERIOD LAST YEAR	WEEK ENDING 09/08/06	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	198,000	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	198,000	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	63,991,990	31,817,269	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	63,991,990	31,817,269	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF SEPTEMBER 11 - 15, 2006 =	0.0	0.0	COMPARABLE PERIOD IN 2005 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2005 =	15.9	746.8	CUMULATIVE SAME PERIOD LAST YEAR =	7.0	370.4
CUMULATIVE JAN. 1 - SEPT. 15, 2006 =	15.9	746.8	COMPARABLE CALENDAR YEAR 2005 =	0.0	0.0

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF SEPTEMBER 11 - 15, 2006 (POUNDS)

	BUTTER			CHEESE			NONFAT DRY MILK	
REGION	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
REGION	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
CENTRAL	-0-	-0-	198,000	-0-	1,364,259	1,331,567	13.4	4.2
WEST	-0-	-0-	-0-	-0-	60,223,255	29,415,099	83.3	92.4
EAST	-0-	-0-	-0-	-0-	2,404,476	1,070,603	3.3	3.4
TOTAL	-0-	-0-	198,000	-0-	63,991,990	31,817,269	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 08/26/06 & Comparable Week 2005

		1	2	3	4	5	6	7	8	9	10	WEEK	U.S. TOTAL SINCE JAN 1	% DAIRY OF ALL WEEK SINCE JAN 1
Regions* (000 HEAD)														
2006-Dairy	N.A.	0.5	6.3	2.8	17.5	2.7	0.3	N.A.	15.5	1.7	48.5	1,497.7	43.2	44.2
2005-Dairy	N.A.	0.7	6.3	2.4	13.7	3.2	0.6	N.A.	13.0	1.7	42.6	1,472.9	49.0	47.3
2006-All cows	N.A.	0.6	8.0	13.5	31.5	21.0	14.5	N.A.	17.7	2.2	112.2	3,388.8		
2005-All cows	N.A.	0.8	7.8	10.9	24.6	13.7	8.9	N.A.	15.9	2.1	87.0	3,114.0		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14
2005	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35	13.37

FEDERAL MILK ORDER CLASS PRICES FOR 2006 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.38	13.38	12.49	11.22	10.97	10.75	11.34	10.97	10.85			
II	13.25	12.62	11.69	11.37	11.13	11.00	10.83	11.16				
III	13.39	12.20	11.11	10.93	10.83	11.29	10.92	11.06				
IV	12.20	11.10	10.68	10.36	10.33	10.22	10.21	10.64				

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfm05/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm)



## INTERNATIONAL DAIRY MARKET NEWS

Information gathered September 4 - 15, 2006

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

## WESTERN AND EASTERN EUROPE

**WESTERN OVERVIEW:** Milk production in Europe continues to decline seasonally. Overall, production is trailing last year, although output in Germany is reported to be on track with last season. Weather conditions are typical for this time of the year, warm days and cool nights. Moisture conditions are mixed, although generally in good balance. Constant rainfall in recent weeks in many regions of Europe has subsided and pasture conditions are drying and grass growth is reported as good for this time of the year. Milk handlers state that most manufacturing facilities would welcome more milk as demand for manufactured dairy products is strong. A significant portion of this strong demand is from internal or domestic buyers. International trading activity is limited due to minimal stock available for this market. Also limiting international buyer interest is firm pricing, especially for skim milk and whey powder. International butter demand has slowed as Ramadan begins next week, although domestic butter demand has improved and prices are firming. Available stocks of butter are limited as about 60,000 MT of butter cleared to intervention during the open season. Clearances to PSA were not as heavy as previous years, and current churning is lighter as milk volumes are tight. Traders and handlers indicate that skim milk and whey powder demand are strong and prices are on the increase. Much of this tightness is being attributed to lower milk volumes and management decisions by manufacturers to adjust their production schedules during the current milk production season. Some traders and handlers indicate that European produced dairy products are becoming only sufficient for an internal or domestic market and international participation will continue to decline.

**BUTTER/BUTTEROIL:** European butter markets remain firm as prices are unchanged to higher. Stocks for immediate use have tightened quickly. Traders and handlers indicate that during the current production season, about 60,000 MT of butter cleared to intervention, PSA clearances were lighter, and overall milk volumes were less available to butter/powder operations. These are three factors limiting butter supplies. Ramadan orders are now complete, thus current demand is coming from internal or domestic buyers, international sales are slow.

82% BUTTERFAT: 1,700 - 1,950

99% BUTTERFAT: 2,200 - 2,350

**SKIM MILK POWDER (SMP):** Skim milk powder markets are firm and prices are higher. Manufacturers and handler state that powder production has trailed last season thus far this year. Much of the decline is being attributed to lower milk volumes. Current year production is being readily absorbed by domestic and internal European buyers with minimal international activity. There are virtually no inventories of powder, thus current output is quickly absorbed by the market.

1.25% BUTTERFAT: 2,700 - 2,900

**WHOLE MILK POWDER (WMP):** European whole milk powder markets are firm, although prices are holding steady. Stocks of powder are in close balance for an internal or domestic market. Supplies are limited to the point that international sales are minimal. Traders and handlers feel that declining milk production will only provide sufficient milk volumes for whole milk powder production for an internal market. International sales have been minimal for most of the current production season.

26% BUTTERFAT: 2,200 - 2,300

**SWEET WHEY POWDER:** European whey powder markets and prices are firm. Prices have never attained these levels and are 35-45% higher than they were last year at this time. Demand for whey is strong from an internal or domestic market with international sales basically nonexistent. Firm prices and limited supplies are curtailing international buyer interest.

NONHYGROSCOPIC: 975 - 1,200

**EASTERN OVERVIEW:** Milk production conditions in Eastern Europe are much the same as in Western regions. Reports continue to indicate that overall milk volumes are lighter than last year at this time. Lower milk volumes are slowing manufacturing schedules throughout the region. In many instances, new product production is not on pace with previous years thus stocks are less available for domestic needs and especially international markets.

## OCEANIA

**OCEANIA OVERVIEW:** The new milk production season in Oceania continues to develop along typical patterns. New Zealand's output is increasing, but milk producers and handlers indicate that it is still too early to project how the season will develop. Most producers and handlers are optimistic that the 2006/2007 season will yield the volumes of the previous season and hopefully build from there. In Australia, the 2006/2007 production year has begun, but milk volumes remain low. The Australian milk production season usually trails New Zealand by about a month, thus production growth remains minimal. Lack of moisture in recent weeks is a concern for many. Manufacturing facilities in both countries are basically ready for the new production season. In New Zealand, milk receipts at plants are increasing, but remain low in Australia. Shipments of manufactured dairy products out of Oceania continue to be filled from inventoried stock from the 2005/2006 production year with some new product, especially from New Zealand, departing their shores. Traders and handlers report that during this carryover period of the year, supplies are basically in close balance with most stock in a very close, hand to mouth situation. Butter shipments are strong for this early in the season, because sales are good as buyers accumulate inventory prior to the start of Ramadan.

**BUTTER:** Oceania butter markets are generally steady at unchanged prices. The new milk production season is just getting underway, especially in New Zealand, thus churning activity remains low, but is increasing. Butter demand out of Oceania is active as buyers secure sufficient stock prior to Ramadan. Some new production is filling this need, although most orders are being filled from 2005/2006 inventoried stock. During this carryover period between the two production seasons, stocks are often in very close balance.

82% BUTTERFAT: 1,500 - 1,750

**CHEDDAR CHEESE:** Cheddar cheese markets are generally steady at the start of the new milk production season. Traders and handlers indicate that a significant portion of new production has been committed to regular and ongoing customer needs. Manufacturing facilities are ready to process the increasing volumes of milk as the season unfolds. Current cheese shipments are being filled from inventoried stock with minimal new production clearing the region at this time.

39% MAXIMUM MOISTURE: 2,500 - 2,700

**SKIM MILK POWDER (SMP):** Skim milk powder markets are steady to firm with prices unchanged to slightly higher on the low end of the reported range. The new milk production season is just getting underway in Oceania thus powder production is increasing, but remains seasonally low. Current output is occurring in New Zealand with Australian output not resuming as of yet. Commitments of powder from Oceania continue to be filled from inventoried stock and from prearranged sources outside of the region.

1.25% BUTTERFAT: 2,050 - 2,200

**WHOLE MILK POWDER (WMP):** Whole milk powder markets are generally steady although prices are slightly lower at the top of the reported range. New powder production is low, although gaining momentum as milk volumes increase seasonally. As with most other manufactured dairy product stock levels at this carryover period time of the year between the two production seasons, whole milk powder stocks are in very close balance with needs. Traders and handler indicate that new production is coming on line about perfectly, maintaining steady shipment schedules.

26% BUTTERFAT: 2,000 - 2,150

Exchange rates for selected foreign currencies: September 11, 2006

.8917 Canadian Dollar	.0216 Indian Rupee
.3222 Argentina Peso	.6395 New Zealand Dollar
.0904 Mexican Peso	.7509 Australian Dollar
.3187 Polish Zloty	.0085 Japanese Yen
	1.2702 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0904)= 11.0619 Mexican Pesos. Source: "Wall Street Journal"



## CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	08/30	08/31	09/01	09/04	09/05	09/06	09/07	09/08	09/11	09/12
<b>CME - CLASS III MILK FUTURES</b> (Pit-Traded)										
AUG 06	11.06 (4544) 20	11.05 (4550) 8	11.06 (4655) 0	NO TRADING						
SEP 06	12.57 (4741) 61	12.55 (4467) 320	12.35 (4466) 55		12.40 (4486) 58	12.40 (4509) 28	12.36 (4536) 83	12.18 (4474) 144	12.20 (4453) 84	12.15 (4489) 122
OCT 06	12.96 (4607) 223	12.94 (4423) 512	12.75 (4430) 300		12.66 (4436) 66	12.65 (4450) 88	12.63 (4404) 256	12.29 (4324) 503	12.29 (4298) 254	12.25 (4317) 97
NOV 06	12.82 (3783) 65	12.79 (3814) 97	12.60 (3796) 114		12.56 (3808) 51	12.53 (3820) 81	12.51 (3760) 110	12.28 (3769) 202	12.25 (3813) 102	12.25 (3817) 50
DEC 06	12.68 (3429) 15	12.65 (3439) 43	12.54 (3445) 53		12.42 (3445) 8	12.41 (3447) 93	12.40 (3448) 60	12.34 (3510) 142	12.33 (3538) 69	12.36 (3554) 29
JAN 07	12.64 (1611) 14	12.62 (1605) 17	12.46 (1608) 8		12.35 (1607) 3	12.35 (1602) 33	12.38 (1595) 43	12.31 (1632) 110	12.40 (1636) 18	12.36 (1654) 15
FEB 07	12.38 (1235) 25	12.38 (1229) 6	12.32 (1231) 7		12.30 (1232) 1	12.28 (1241) 18	12.30 (1258) 23	12.25 (1269) 18	12.35 (1276) 10	12.30 (1286) 12
MAR 07	12.40 (1253) 24	12.40 (1251) 1	12.33 (1250) 11		12.30 (1252) 6	12.30 (1262) 19	12.30 (1278) 22	12.25 (1286) 17	12.35 (1288) 11	12.30 (1287) 13
APR 07	12.55 (997) 13	12.53 (992) 8	12.49 (993) 3		12.48 (991) 2	12.48 (997) 9	12.48 (1010) 19	12.46 (1017) 10	12.46 (1024) 10	12.41 (1034) 12
MAY 07	12.54 (934) 12	12.54 (932) 1	12.50 (934) 3		12.50 (938) 1	12.50 (944) 8	12.50 (946) 5	12.48 (949) 10	12.48 (956) 9	12.40 (961) 10
JUN 07	12.69 (867) 14	12.68 (866) 1	12.64 (868) 3		12.64 (869) 1	12.64 (875) 6	12.63 (877) 2	12.63 (878) 14	12.63 (886) 9	12.60 (890) 8
JUL 07	13.29 (653) 6	13.30 (666) 18	13.30 (666) 0		13.28 (673) 14	13.28 (690) 19	13.29 (691) 13	13.30 (698) 5	13.28 (698) 8	13.24 (700) 26
AUG 07	13.44 (584) 5	13.45 (584) 1	13.45 (582) 3		13.43 (588) 19	13.43 (598) 16	13.45 (594) 9	13.40 (601) 3	13.45 (610) 10	13.45 (604) 23
SEP 07	13.50 (560) 16	13.50 (559) 2	13.50 (559) 3		13.50 (561) 12	13.50 (572) 18	13.52 (568) 9	13.52 (575) 3	13.55 (582) 8	13.55 (577) 24
<b>CME - CLASS IV MILK FUTURES</b> (Pit-Traded)										
AUG 06	10.90 (6) 0	10.90 (6) 0	10.64 (6) 0	NO TRADING						
SEP 06	11.50 (6) 0	11.50 (6) 0	11.50 (6) 0		11.50 (6) 0	11.50 (6) 0	11.50 (6) 0	11.50 (6) 0	11.50 (6) 0	11.50 (6) 0
OCT 06	11.40 (6) 0	11.40 (6) 0	11.40 (6) 0		11.40 (6) 0	11.40 (6) 0	11.40 (6) 0	11.40 (6) 0	11.40 (6) 0	11.40 (6) 0
<b>CME – PRODUCT SETTLED BUTTER FUTURES</b> (Pit-Traded)										
SEP 06	135.00 (300) 5	134.50 (279) 26	134.00 (265) 3	NO TRADING	131.25 (263) 9	131.25 (234) 0	130.00 (231) 1	128.50 (231) 1	128.50 (224) 0	130.50 (220) 20
OCT 06	137.00 (235) 2	136.50 (234) 2	136.00 (235) 1		133.50 (235) 5	132.00 (232) 5	131.00 (232) 0	129.50 (230) 4	129.50 (230) 0	131.50 (244) 27
DEC 06	133.75 (44) 0	133.75 (44) 0	133.00 (46) 2		133.00 (46) 0	132.00 (47) 2	132.00 (47) 1	131.00 (47) 1	131.00 (47) 0	131.00 (47) 0
<b>CME – CASH SETTLED BUTTER FUTURES</b> (Electronic-Traded)										
AUG 06	120.50 (721) 0	120.50 (721) 0	119.90 (721) 0	NO TRADING						
SEP 06	133.75 (970) 11	133.50 (970) 0	133.00 (969) 3		132.00 (956) 13	131.50 (944) 21	131.00 (944) 0	130.00 (942) 12	130.25 (922) 20	131.25 (917) 20
OCT 06	135.25 (822) 1	133.50 (819) 6	129.75 (819) 7		131.00 (824) 5	132.00 (823) 8	132.00 (823) 0	129.00 (825) 16	129.50 (823) 7	130.00 (819) 18

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-250-3208.

## SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES\*

The milk production forecast for 2006 is raised from last month primarily due to a smaller-than-expected impact from hot weather on milk per cow. Milk production for 2007 is raised slightly. Despite higher forecast production, relatively strong demand for cheese is helping support prices. However, butter supplies are relatively large and prices are weaker than previously expected. Nonfat dry milk price forecasts are little changed from last month although CCC net removals for 2006 and 2007 are forecast lower. In the face of higher forecast cheese prices, the 2006 Class III price is raised, but lower-than-expected butter prices result in a lower Class IV price forecast. The all milk price forecast for 2006 is increased to \$12.65-\$12.85 per cwt. Price forecasts for 2007 are unchanged from last month.

U.S. MILK SUPPLY AND USE					
Commodity	2005	2006 Projected		2007 Projected	
		August	September	August	September
<b>MILK</b>		<b>BILLION POUNDS</b>			
PRODUCTION	177.0	181.3	182.0	183.1	183.2
FARM USE	1.1	1.1	1.1	1.0	1.0
<b>FAT BASIS SUPPLY</b>					
BEGINNING COMMERCIAL STOCKS	7.2	8.0	8.0	8.2	8.6
MARKETINGS	175.9	180.3	180.9	182.1	182.2
IMPORTS	4.6	4.4	4.5	5.1	5.1
TOTAL COMMERCIAL SUPPLY	187.7	192.7	193.4	195.4	195.9
<b>FAT BASIS USE</b>					
ENDING COMMERCIAL STOCKS	8.0	8.2	8.6	7.9	7.7
CCC NET REMOVALS <u>1/</u>	-0.0	0.0	0.0	0.0	0.0
COMMERCIAL USE <u>2/</u>	179.7	184.5	184.8	187.5	188.2
<b>SKIM-SOLIDS BASIS SUPPLY</b>					
BEGINNING COMMERCIAL STOCKS	8.2	9.0	9.0	8.4	8.6
MARKETINGS	175.9	180.3	180.9	182.1	182.2
IMPORTS	4.5	4.7	4.5	5.7	5.7
TOTAL COMMERCIAL SUPPLY	188.6	193.9	194.4	196.2	196.5
<b>SKIM-SOLIDS BASIS USE</b>					
ENDING COMMERCIAL STOCKS	9.0	8.4	8.6	8.8	8.6
CCC NET REMOVALS <u>1/</u>	-1.0	0.9	0.8	1.5	1.2
COMMERCIAL USE <u>2/</u>	180.6	184.6	185.0	185.9	186.7
		<b>MILLION POUNDS</b>			
<b>CCC PRODUCT NET REMOVALS <u>1/</u></b>					
BUTTER	0	0	0	0	0
CHEESE	-2	0	0	0	0
NONFAT DRY MILK	-81	75	65	130	100
DRY WHOLE MILK	0	0	0	0	0

NOTE: Totals may not add due to rounding. 1/ Includes products exported under the Dairy Export Incentive Program. 2/ Includes commercial exports.

Continued on page 11

## SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES-cont'd

U.S. DAIRY PRICES						
Commodity	2005	2006 Projected		2007 Projected		
		August	September	August	September	
PRODUCT PRICES <u>1/</u> CHEESE	DOLLARS PER POUND					
	1.4875	1.220-1.240	1.230-1.250	1.295-1.395	1.295-1.395	
	BUTTER	1.5405	1.210-1.250	1.205-1.245	1.220-1.350	1.220-1.350
	NONFAT DRY MILK	0.9409	0.855-0.875	0.850-0.870	0.815-0.885	0.815-0.885
DRY WHEY	0.2782	0.295-0.315	0.295-0.315	0.250-0.280	0.250-0.280	
MILK PRICES <u>2/</u> CLASS III	DOLLARS PER CWT					
	14.05	11.50-11.70	11.60-11.80	12.00-13.00	12.00-13.00	
	CLASS IV	12.87	10.75-11.05	10.70-11.00	10.45-11.55	10.45-11.55
	ALL MILK <u>3/</u>	15.14	12.60-12.80	12.65-12.85	12.90-13.90	12.90-13.90
QUARTERLY						
	2006 II	2006 III <u>4/</u>	2006 IV <u>4/</u>	2007 I <u>4/</u>	2007 II <u>4/</u>	
MILK PRODUCTION	BILLION POUNDS					
	46.9	44.7	44.8	46.3	47.3	
DOLLARS PER CWT.						
ALL MILK PRICE <u>2/</u> <u>3/</u>	12.00	11.95-12.15	13.15-13.65	12.55-13.35	12.45-13.45	
CLASS III PRICE <u>2/</u>	11.02	11.30-11.50	11.90-12.40	11.40-12.20	11.70-12.70	
CLASS IV PRICE <u>2/</u>	10.30	10.50-10.80	10.85-11.45	10.30-11.20	10.35-11.45	

1/ Simple average of monthly prices calculated by AMS from NASS weekly average dairy product prices for class price computations. Details may be found at [http://www.ams.usda.gov/dyfm/mib/fedordprc\\_dscrp.htm](http://www.ams.usda.gov/dyfm/mib/fedordprc_dscrp.htm). 2/ Annual and quarterly Class III and Class IV prices are the simple average of monthly minimum Federal order milk prices paid by regulated plants for milk used in the respective classes. All milk price is the simple average of monthly prices received by farmers for milk at average test. 3/ Does not reflect any deductions from producers as authorized by legislation. 4/ Projection.

\* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; Howard McDowell, AMS; Paul Kiendl, FAS; Roger Hoskin, ERS; and Milton Madison, FSA.

**SOURCE:** "World Agricultural Supply and Demand Estimates," WASDE-438, World Agricultural Outlook Board, USDA, September 12, 2006.

### MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, JUNE 2006

In June 2006, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$11.74 per cwt., \$.06 less than the figure for the previous month. The component tests of producer milk in June 2006 were: butterfat, 3.58%; protein, 2.97%; and other solids, 5.71%. On an individual reporting area basis, mailbox prices decreased in all Federal milk order reporting areas except six, and ranged from \$14.85 in Florida to \$9.90 in New Mexico. In June 2005, the Federal milk order all-area average mailbox price was \$14.13, \$2.39 higher.

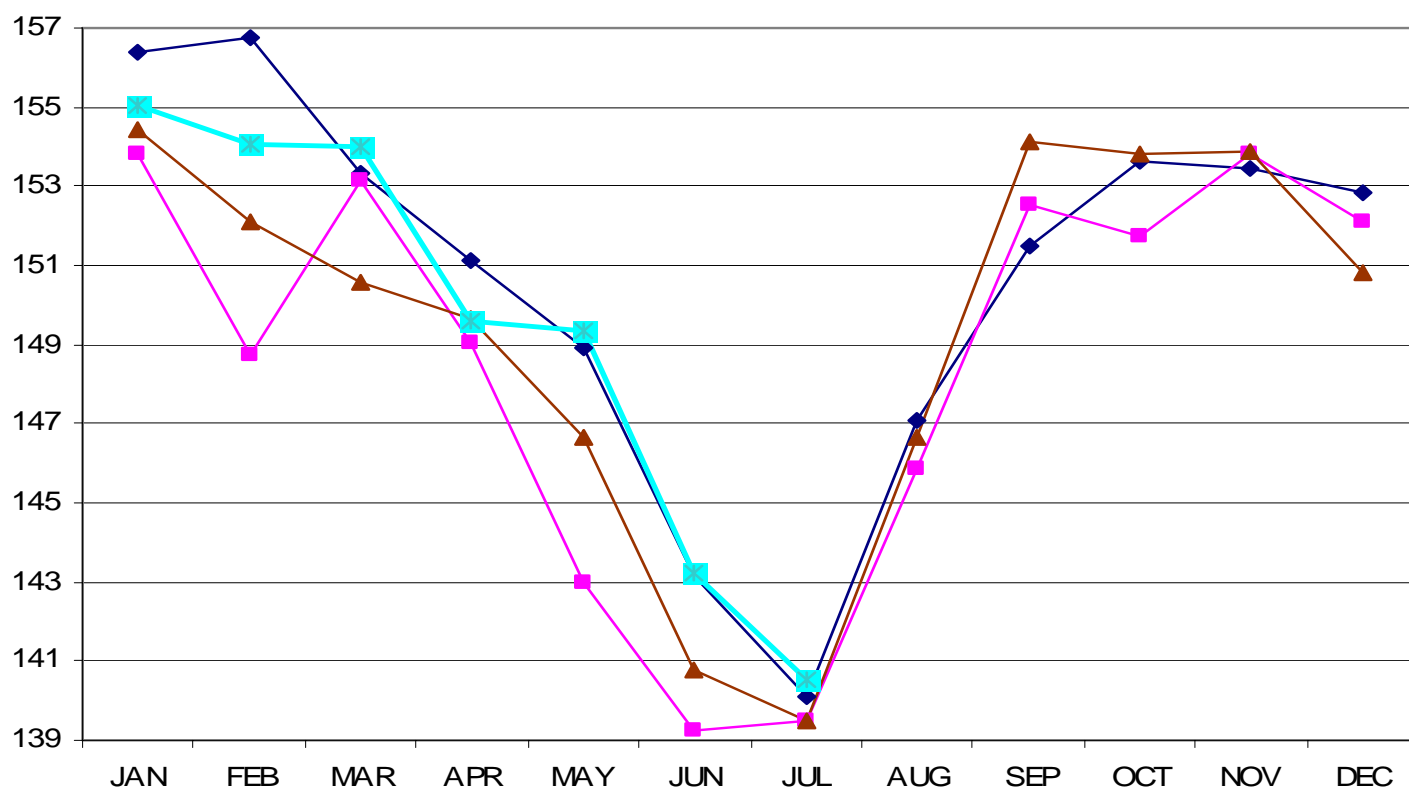
Reporting Area <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	June 2005	May 2006	June 2006
	Dollars per hundredweight		
New England States <u>3/</u>	14.78	12.43	12.33
New York	14.27	12.12	11.99
Eastern Pennsylvania <u>4/</u>	14.60	12.40	12.28
Appalachian States <u>5/</u>	13.92	12.39	12.18
Southeast States <u>6/</u>	14.49	13.08	13.15
Southern Missouri <u>7/</u>	13.18	11.44	11.35
Florida	16.40	14.70	14.85
Western Pennsylvania <u>8/</u>	14.31	12.04	11.92
Ohio	14.22	12.00	11.92
Indiana	14.29	11.85	11.62
Michigan	13.78	11.62	11.54
Wisconsin	14.67	11.99	12.04
Minnesota	14.47	11.75	11.78
Iowa	14.32	11.85	11.81
Illinois	14.25	11.68	11.67
Corn Belt States <u>9/</u>	13.27	11.13 <u>10/</u>	11.13
Western Texas <u>11/</u>	13.26	10.68	10.82
New Mexico	12.55	9.98	9.90
Northwest States <u>12/</u>	13.35	11.26	11.12
All Federal Order Areas <u>13/</u>	14.13	11.80	11.74
California <u>14/</u>	13.43	10.45	10.42

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. As applicable, includes milk not-pooled due to disadvantageous intra-order price relationships. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. Mailbox price does include, for the most part, the \$0.05 per cwt. assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. 4/ All the counties to the east of those listed in 8/. 5/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 6/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 7/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 8/ The counties of Warren, Elk, Clearfield, Indiana, Westmoreland, and Fayette, and all those to the west of these. 9/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 7/. 10/ Price has been revised. Also, the price for April 2006 has been revised to \$11.16. 11/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 12/ Includes Oregon and Washington. 13/ Weighted average of the information for all selected reporting areas in Federal milk orders. Previous year figures have not been revised for new reporting areas. 14/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."



## ESTIMATED DAILY AVERAGE U.S. PACKAGED FLUID PRODUCT SALES

MILLION POUNDS

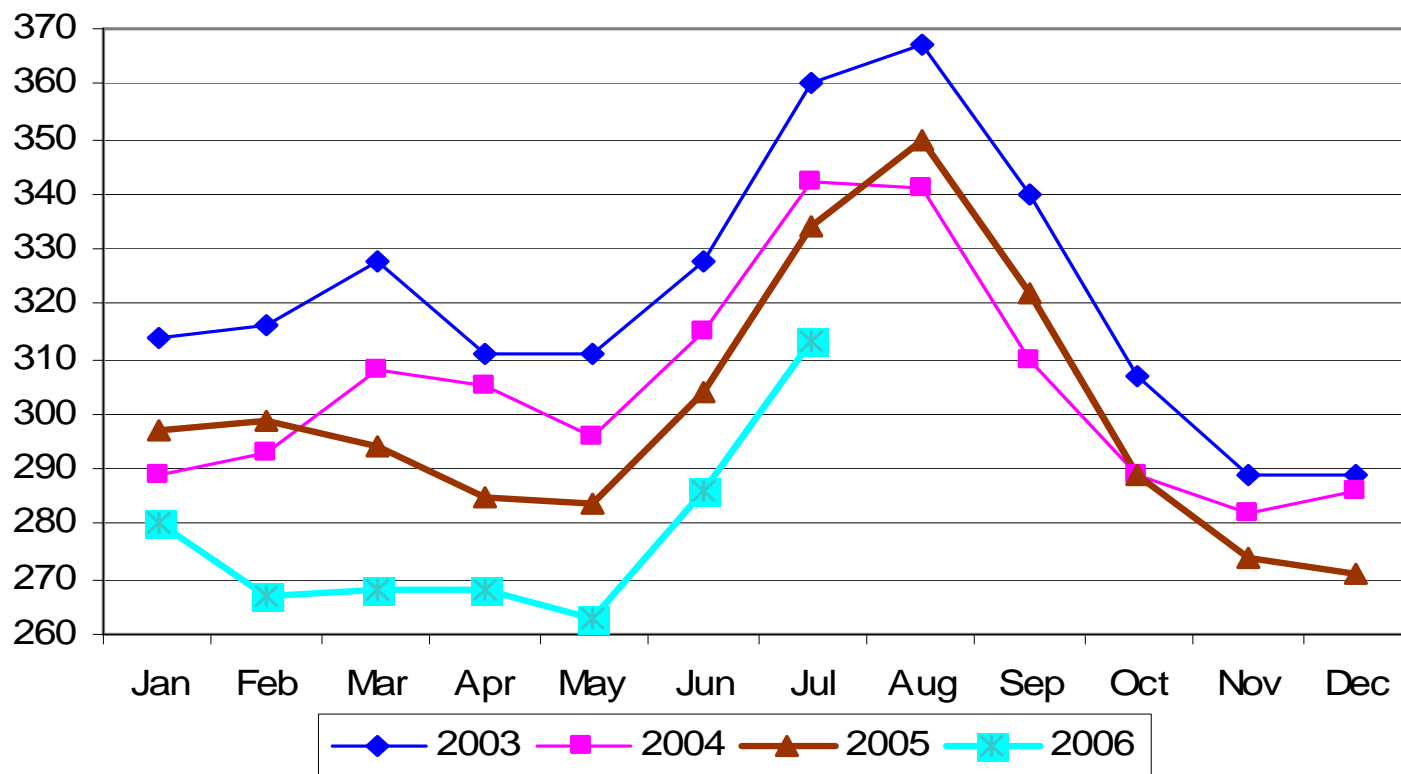


DATA: AMS, DAIRY PROGRAMS, GRAPH BY DMN

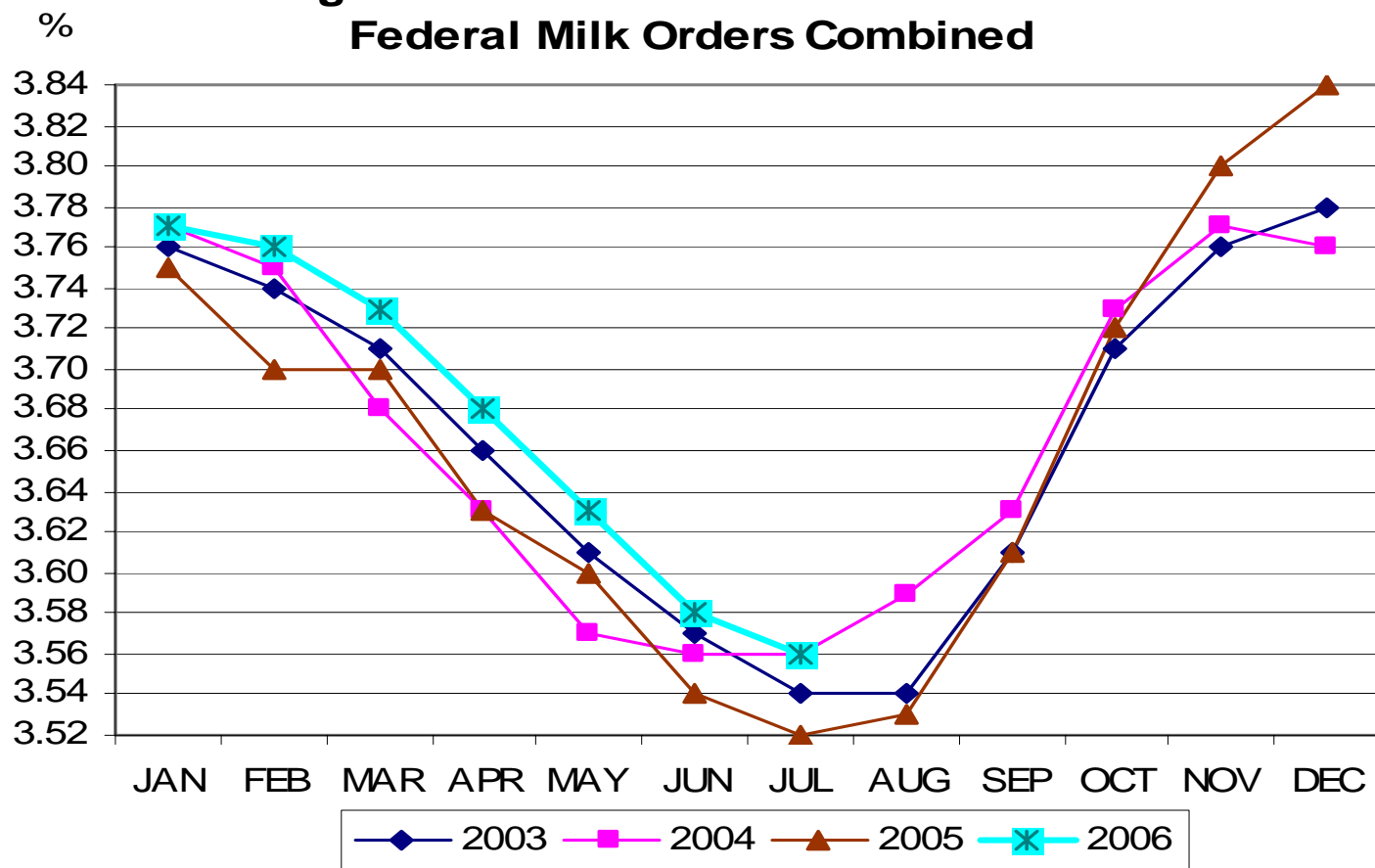
◆ 2003 
 ■ 2004 
 ▲ 2005 
 ■ 2006

## Average Somatic Cell Count of Producer Milk in Four Federal Milk Orders Combined

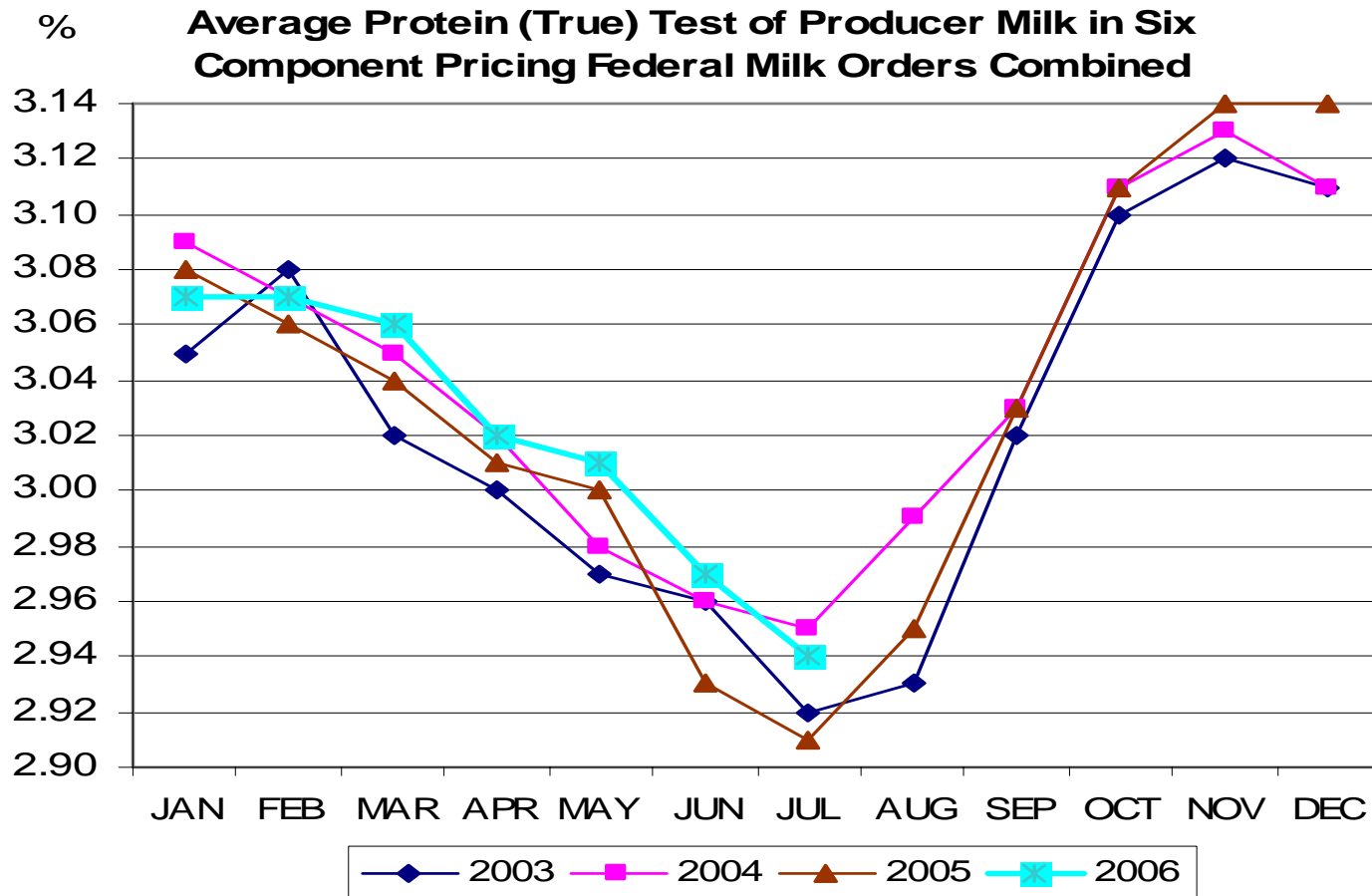
Thousands



## Average Butterfat Test of Producer Milk in All Federal Milk Orders Combined



## Average Protein (True) Test of Producer Milk in Six Component Pricing Federal Milk Orders Combined



# DAIRY MARKET NEWS

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## GENERAL NUMBER

Elizabeth Frederick  
(608) 250-3200  
Elizabeth.Frederick@USDA.GOV

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## NORTHEAST/SOUTHEAST

## CENTRAL

George Koerner  
(608) 250-3205  
George.Koerner@USDA.GOV

Colleen Curran  
(608) 250-3203  
Colleen.Curran@USDA.GOV

## SOUTHWEST

Lester "Butch" Speth  
(608) 250-3202  
Butch.Speth@USDA.GOV

## NORTHWEST/MOUNTAIN

Donald Nelson  
National Supervisor  
(608) 250-3206  
DonaldO.Nelson@USDA.GOV

## INTERNATIONAL

Steven Schneeberger  
(608) 250-3204  
Steven.Schneeberger@USDA.GOV

## INTERNET ADDRESS

WWW.AMS.USDA.GOV/DAIRY/MNCS/INDEX.HTM

## RECORDED INFORMATION SYSTEM

(608) 250-3208

## FAX

(608) 250-3216

---

USDA, Dairy Market News  
122 E Olin Ave Ste 290  
Madison, WI 53713-1475